

# BUDGET LETTER

<b>SUBJECT:</b> 2012-13 PRICE LETTER	<b>NUMBER:</b> BL 11-23
<b>REFERENCES:</b> BUDGET LETTERS 11-10 AND BL 11-18 GOVERNMENT CODE SECTION 13308.05	<b>DATE ISSUED:</b> September 1, 2011
	<b>SUPERSEDES:</b> BL 10-25

TO: Agency Secretaries  
Department Directors  
Departmental Budget Officers  
Departmental Accounting Officers  
Department of Finance Budget Staff

FROM: DEPARTMENT OF FINANCE

Section 13308.05 of the Government Code provides that the workload budget includes an adjustment for price increase in the budget year. Chapter 12 of the 2009-10 Fourth Extraordinary Session adds Section 11019.10 to the Government Code, which provides that "except as provided in the Budget Act and implementing statutes, no automatic increases shall be provided to the University of California, California State University, the state courts, or to state agency operations, including, but not limited to, annual price increases to state departments and agencies." Therefore, no baseline adjustments for price increases will be made.

Departments are expected to adjust their line item operating expense and equipment budgets to reflect the most realistic assessment of their own costs in 2012-13, using information provided in this BL and knowledge of their own contractual commitments and cost drivers. If the adjusted line item expenses cannot be funded with the total funding allowed, departments must make adjustments to their operations and expenditure plans to bring them in line with available funding. This may involve creating efficiencies, negotiating price reductions, or reducing activities and operations including changes in departmental program responsibilities. Departments are responsible for creating effective plans to do this while achieving the department's most important core missions and documenting the plans as part of the base budget development process. The price adjustment factors included in Attachment 1 are provided for departments' planning and detailed budget-building purposes only. The population projections on Attachment 2 are based on May Revision estimates; updated population data will be available in November.

The Price Letter does not cover the prices of goods and services that are included in the Department of General Services' (DGS) annual **Price Book and Directory of Services**, which is available from the Office of Fiscal Services' website at <http://www.dgs.ca.gov/ofs/Resources/Pricebook.aspx>. The current Price Book and Directory of Services include the rates for 2011-12 and proposed rates for 2012-13. If you have any questions regarding the Price Book, please contact DGS, Office of Fiscal Services, Budget and Planning Section, 707 3<sup>rd</sup> Street, West Sacramento, CA 95605, or call Rhonda E. Basarich at (916) 376-5133. If you are interested in joining the DGS Price Book list, you can subscribe at: <http://www.dgs.ca.gov/ofs/Resources/Pricebook/subscribe.aspx>.

/s/ Mark Hill

Mark Hill  
Program Budget Manager

Attachment

PRICE LETTER STANDARDS  
2012-13

PRICE ADJUSTMENT FACTOR SUMMARY  
(See following text for specific instructions)

UCM Code	Line-Item Object	2011-12 <sup>a</sup>	2012-13 <sup>a</sup>
<b>Personal Services</b>			
103103	OASDI	6.2% on wage ceiling of \$108,750 <sup>b</sup>	6.2% on wage ceiling of \$112,800 <sup>b</sup>
103137	Medicare	1.45% no wage ceiling	1.45% no wage ceiling
103105	Health Benefits-Public Employees	CalPERS average rates will increase by 4.1% on January 1, 2012.	
103107	Retirement-Public Employees	-4.61%	-4.61%
This is the average change for all plans. Budget instructions for this item will be provided in a forthcoming Budget Letter.			
<b>Operating Expenses</b>			
311223	Library Purchases		
	Monographs	0.0%	4.5%
	Subscriptions	0.0%	4.4%
313257	Telephone	c, d	d
314261	Postage	d	d
317292	In-State Travel Per Diem	d	d
324362	Electricity	d	d
324363	Natural Gas <sup>d</sup>	1.7%	12.4%
324364	Liquid Petroleum Gas <sup>d</sup>	12.3%	16.3%
325396	Attorney General Services		
	Attorney Services	d	d
	Paralegal Services	d	d

<sup>a</sup> Percentage change over 2010-11 unless specified otherwise.

<sup>b</sup> The tax base for the calendar year 2011 is \$106,800. While official wage bases for the coming years were not finalized by the Social Security Administration at the time this letter was prepared, estimated wage bases of \$110,700 and \$114,900 are used for calendar years 2012 and 2013, respectively, for planning purposes.

<sup>c</sup> Budget at current rates.

<sup>d</sup> See following text.

UCM Code	Line-Item Object	2011-12 <sup>a</sup>	2012-13 <sup>a</sup>
<b>Operating Expenses</b>			
328428	Data Center Services	d	d
333503	Clothing and Personal Supplies <sup>d</sup>	1.3%	2.4%
333504	Medical Care <sup>d</sup>	3.4%	6.8%
333506	Foodstuffs <sup>d</sup>	3.6%	6.0%
333513	Laundry <sup>e</sup>		
	General Linen	40¢/lb.	d
	Personal Clothing	45¢/lb.	d
	Special Handling	50¢/lb.	d
	California Consumer Price Index - All Urban Consumers	2.2%	4.3%

## OPERATING EXPENSES

### TELEPHONE

The Office of Technology Services provides a full range of telecommunications services at competitive rates through its CALNET 2 Master Service Agreement. Product descriptions and pricing information are available on the CALNET website at <http://www.calnet.ca.gov/>.

### POSTAGE

The latest postal rates, which went into effect on July 5, 2011, are available at most post office branches, as well as the United States Postal Service's own website at <http://www.usps.com/>.

Current major postage rates, effective since July 5, 2011, are as follows:

First-Class letter: 1 oz.	44 cents
Postcard	29 cents
Priority Mail (Flat Rate Envelope):	\$4.95
Express Mail (Flat Rate Envelope):	\$18.30

<sup>a</sup> Percentage change over 2010-11, unless specified otherwise.

<sup>d</sup> See following text.

<sup>e</sup> Prices do not include transportation charges, which are based on mileage. See following text for detail.

## IN-STATE TRAVEL PER DIEM

For 2011-12 and 2012-13, the reimbursement for lodging, meals and incidentals, and mileage should be budgeted as follows:

### **Lodging – For each 24-hour period**

- Alameda, San Francisco, Santa Clara, and San Mateo
  - With receipt up to \$140.00 plus tax
  - Without receipt \$0.00

### **Lodging –**

- Los Angeles and San Diego County
  - With receipt up to \$110.00 plus tax
  - Without receipt \$0.00

### **Lodging –**

- All other counties
  - With receipt up to \$84.00 plus tax
  - Without receipt \$0.00

### **Lodging –**

- Conference/Conventions
  - Non-State sponsored, with prior written approval of appointing power, with receipt no maximum
  - State-sponsored, with prior written approval of appointing power, with receipt up to \$110.00 plus tax

### **Meals and Incidentals**

up to \$6.00 for breakfast  
up to \$10.00 for lunch  
up to \$18.00 for dinner  
up to \$6.00 for incidentals

### **Mileage**

55.5 cents per mile

The aforementioned amounts reflect the current reimbursement rates for excluded and represented state employees.

Departments are advised to use the above rates for budgeting purposes until the Department of Personnel Administration provides notification of any changes that result from collective bargaining. Actual rates are determined by collective bargaining agreements and may vary by bargaining unit.

## HEAT, LIGHT, AND POWER

### Electricity

All the major electric utilities have several rate schedules, which are based upon the customer's maximum kilowatt demand and tend to increase costs to the customer as maximum demand increases. Departments should verify that they are being billed on the correct schedule and make every reasonable effort to reduce their maximum demand. The utilities are willing and able to offer advice in this area.

The overall electrical rates charged by major investor-owned and municipal utilities are expected to change over 2010-11 as follows:

	2011-12	2012-13
Pacific Gas & Electric Company	2.5%	6.2%
Southern California Edison	3.5%	8.3%
San Diego Gas and Electric Company	3.2%	7.7%
Los Angeles Dept. of Water & Power	4.0%	11.9%
Sacramento Municipal Utility District	2.4%	6.1%

### Natural Gas

Natural gas should be budgeted for 2011-12 and 2012-13 at 1.7 percent and 12.4 percent, respectively, above 2010-11 actual expenditures.

### Fuel Oil and Liquefied Petroleum Gas

Departments are advised to budget liquefied petroleum gas in 2011-12 and 2012-13 at 12.3 percent and 16.3 percent above 2010-11 actual expenditures, respectively. Departments should budget fuel oil at current market rates.

## ATTORNEY GENERAL'S LEGAL SERVICES RATE

Effective July 1, 2010, departments have been advised to budget Attorney Services and Paralegal Services at \$170 per hour and \$120 per hour, respectively, for 2011-12. State departments receiving services from the Department of Justice are subject to these rates. At the time this Budget Letter was prepared, the Attorney General's legal services rates for 2012-13 have not been finalized. If rate changes are needed for 2012-13, departments will be notified of the change in a subsequent Budget Letter.

## DATA CENTER SERVICES

The Office of Technology Services' (OTech) Billing Rate Schedule can be found on its website at <http://www.dts.ca.gov/customers/rates.asp>. In addition, the California Technology Agency's Financial Management Branch personnel are available to assist with cost estimates associated with projecting data center costs. For more information, departments may contact Bill Liu (916) 431-5486 or [Bill.liu@state.ca.gov](mailto:Bill.liu@state.ca.gov). Note: Departments that have significant changes in data center utilization need to submit budget change proposals to address their needs.

As a result of Chapter 404, Statutes of 2010 (AB 2408), which became effective January 1, 2011, the California Technology Agency and the Office of Technology Services (OTech) will no longer require an executed InterAgency Agreement (IAA) from state entities to process the direct transfer payment for services rendered (this also includes CALSTARS). All other invoicing processes will remain the same. Printed invoices will be sent to departments 5-10 days after the end of each billing period, and an electronic file to the State Controller's Office (SCO) for the direct transfer process will occur 1-3 business

days following the release of the invoices. SCO will provide departmental accounting units with a journal entry upon completion of the direct transfer transaction. Departments electing to continue to process an IAA for the purpose of encumbering funds may do so by downloading the Technology Agency's IAA template at its website, <http://www.dts.ca.gov/customers/services.asp>. For additional information regarding IAAs, departments may contact Ms. Elizabeth Fong at (916) 431-4699 or [Elizabeth.fong@state.ca.gov](mailto:Elizabeth.fong@state.ca.gov).

For departments that use CALSTARS running on OTech's data processing systems, 2011-2012 estimate amounts have been developed for the purpose of encumbering funds. For estimate amounts and additional information regarding CALSTARS billing, contact Anne Wong of Department of Finance at (916) 445-0211 Ext. 2842 or [Anne.Wong@dof.ca.gov](mailto:Anne.Wong@dof.ca.gov).

## **CLOTHING**

Clothing and personal supplies should be budgeted for 2011-12 and 2012-13 at 1.3 percent and 2.4 percent above 2010-11 actual expenditures, respectively.

## **MEDICAL CARE SUPPLIES**

Departments should budget contract items at current prices. Budget the remaining items for 2011-12 and 2012-13 at 3.4 percent and 6.8 percent, respectively, above 2010-11 actual expenditures.

## **FOODSTUFFS (FEEDING)**

Budget feeding costs for 2011-12 and 2012-13 at 3.6 percent and 6.0 percent, respectively, above 2010-11 actual expenditures.

## **LAUNDRY**

Laundry prices for departments served by state correctional institutions should be budgeted as follows:

<b>Service</b>	<b>2011-12</b>
General Linen	40¢/lb.
Personal Clothing	45¢/lb.
Special Handling	50¢/lb.

These prices do not include mileage-based transportation costs and stop fees, which are as follows:

Transportation rates: \$4.00 per mile (applies to round trip mileage).

Stop fees: \$55 for locations with one pick-up point; \$95 for locations with multiple pick-up points.

At the time this letter was prepared, the Prison Industry Authority did not have the estimated increases for 2012-13 available.

## **OVERALL CONSUMER PRICE INFLATION**

The Economic Research Unit of Finance forecasts the California Consumer Price Index for all urban consumers (CPI-U) and several other price indexes in May and January. The most current California CPI-U forecast predicts that overall consumer prices will rise by 2.2 percent and 4.3 percent in 2011-12 and 2012-13, respectively, over 2010-11. However, departments are advised that while the CPI-U is believed to represent overall consumer prices, this index may be inappropriate for use in predicting the inflation trends for certain types of purchases. As an alternative, the US state and local government implicit deflator may be used. This index is estimated to increase by 2.3 percent in 2011-12 and 2.2 percent in 2012-13. Furthermore, it is suggested that departments wishing to use CPIs to help forecast their expenditures contact the Economic Research Unit at (916) 322-2263 for the most recent available forecast.

## POPULATION

California's total population on July 1, 2011 is projected at 37,625,000—an increase of 254,000 over the number residing in the state on the same date last year. Civilian population on July 1, 2011, the essential figure for most budget computations, is 37,471,000. This represents a growth of 253,000 over the past 12 months. Current projections for mid-2012 place the total population at 37,974,000—an increase of approximately 0.93 percent for total population from the preceding July 1. The total population as of July, 1, 2013 is expected to be 38,374,000, of which 38,219,000 would be civilians. These data are summarized in Table 1.

Table 1. ESTIMATED POPULATION OF CALIFORNIA, 2008-2013  
(in thousands)

<u>July 1</u>	<u>Total</u>	<u>Civilian</u>	<u>One-year change</u>	
	<u>Population</u>	<u>Population</u>	<u>Total</u>	<u>Civilian</u>
2008	36,856	36,697	---	---
2009	37,077	36,920	221	223
2010	37,371	37,218	294	298
2011	37,625	37,471	254	253
2012	37,974	37,820	349	349
2013	38,374	38,219	400	399

Table 2 shows the civilian population for the years 2008-2013 distributed by five-year age groups. This distribution is based upon the results of the April 1, 2010, decennial census, Department of Finance estimates, and the most recent Department of Finance projection series.

Table 2. ESTIMATES OF CALIFORNIA'S CIVILIAN POPULATION BY AGE  
(in thousands)

Age in Years	7/1/2008	7/1/2009	7/1/2010	7/1/2011	7/1/2012	7/1/2013
0-4	2,761	2,758	2,739	2,718	2,696	2,683
5-9	2,598	2,642	2,693	2,713	2,755	2,791
10-14	2,623	2,571	2,539	2,547	2,578	2,634
15-19	2,787	2,779	2,756	2,711	2,672	2,638
20-24	2,495	2,530	2,601	2,664	2,729	2,774
25-29	2,484	2,480	2,482	2,477	2,498	2,542
30-34	2,453	2,437	2,437	2,452	2,478	2,514
35-39	2,718	2,662	2,590	2,527	2,493	2,476
40-44	2,744	2,724	2,738	2,755	2,755	2,735
45-49	2,796	2,824	2,821	2,797	2,767	2,744
50-54	2,535	2,588	2,650	2,699	2,738	2,768
55-59	2,134	2,193	2,258	2,327	2,398	2,464
60-64	1,668	1,756	1,858	1,935	1,970	2,016
65+	3,902	3,976	4,056	4,150	4,294	4,440
Total	36,697	36,920	37,218	37,471	37,820	38,219